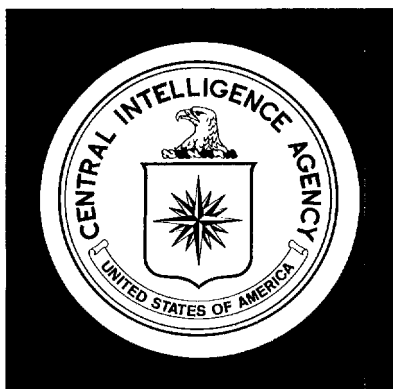


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NORTH VIETNAM: Military conscription in North Vietnam appears to have declined sharply in 1973, and the reduced recruitment suggests that Hanoi's military plans for early 1974 do not call for heavy fighting.

After concluding a large winter recruitment campaign last January just prior to the cease-fire, the North Vietnamese did not conduct another major induction drive until August and September. North Vietnamese propaganda [redacted]

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[redacted] suggest that relatively few men have been inducted since that drive ended.

In the preceding four years, Hanoi conducted at least three major induction campaigns each year. The recruits generally received at least three months of military training before moving south, and most of them subsequently infiltrated South Vietnam.

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Moreover, as a result of the slow pace of recruitment in 1973, Hanoi probably does not have sufficient troops in training camps to equal the numbers sent south in recent dry seasons. On the other hand, the Communists have a large combat force in South Vietnam, and their requirements for replacement troops may be lower now than in recent years.

North Vietnamese propaganda suggests that a new induction drive has begun, but those troops would not be ready for infiltration for several months. Some reports indicate new recruits are being given six months' training; if that is typical, the new troops will not be ready to move south until early summer. [redacted]

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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar surged ahead again in major currency markets yesterday, as Japan abandoned its support of the 280 yen/dollar rate. The current strengthening of the dollar has all but reversed the "third devaluation" that occurred in May and June 1973. Sterling and the Danish krone fell to record lows in active trading, and all other major European currencies also weakened dramatically. Intervention by the Bundesbank yesterday totaled \$113 million as the mark continued to fall.

Despite the rapid devaluation of the European currencies, there has been little internal pressure on the European joint float since it became evident that the Dutch would continue to receive oil despite the Arab embargo. Although the energy crisis will have different effects on the economies of joint float members, speculation now centers on the relationship between the float currencies and nonparticipating currencies rather than on the internal parity structure of the joint float itself. Speculation against the float's parity structure could begin again, however, if balance-of-payments effects of recent oil price increases differ widely among joint float members.

In Tokyo, the central bank allowed the yen to fall by 6.5 percent. Moderate intervention began only when the exchange rate fell to 300 yen to the dollar. The Bank of Japan is carefully watching the actions of European central banks to determine whether to continue intervention. Traders expect a further decline of the yen if the currency is not supported by the central bank.

Pressures appear to be building for international action to slow the current speculation in the market. The rapid appreciation of the dollar is a major topic of discussion at the central bankers' meeting now under way in Basel; it will also be intensively deliberated at the meeting of the Committee of Twenty Ministers in Rome next week.

SOUTH KOREA: Politicians, usually reticent in face of government pressure, are now echoing student and intellectual demands for changes in the structure and policies of the Pak government. Senior members of the two opposition parties have called on the regime to liberalize the constitution, and two highly respected members of Pak's own party have resigned in protest over the government's authoritarian policies. Given the regime's recent willingness to make some concessions to student and intellectual dissent, these politicians apparently see some chance of improving their own status and restoring the influence of the National Assembly.

Their efforts are not likely to succeed, however, and may even strengthen Pak's resolve to resist major political change. The President has issued stern warnings to his various critics, and he is clearly prepared to take strong measures if his conciliatory efforts fail. For the moment, however, he is placing primary emphasis on appeals for public support, and his annual address to the nation later this week is likely to follow this theme.

SOUTH KOREA: The economy scored impressive gains last year. Real gross national product grew by an unprecedented 17 percent to about \$12.2 billion, compared with about 9 percent in 1972. Per capita income increased from about \$300 in 1972 to about \$375 in 1973.

Underlying the rapid growth was a surge in exports, which increased by 80 percent. Most of the increase went to the US and Japan, South Korea's chief foreign suppliers. The boom stimulated imports, which grew by about 45 percent. Purchases from the US rose sharply, and the US trade balance with Korea shifted into surplus.

A slowdown in economic growth may well occur this year. Although Seoul can obtain required oil supplies, a general weakening in business confidence stemming from the worldwide energy problem could produce an economic setback. With higher oil prices, inflation will become a more serious problem, and the country's balance-of-payments position may worsen. Even with record export gains, the 1973 trade deficit rose to about \$850 million. Foreign exchange reserves now stand at almost \$1 billion.

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ARGENTINA: The increase in the number of kidnappings of foreign businessmen is forcing the government to consider more drastic measures to cope with terrorism. It is doubtful, however, that the legal and extralegal actions contemplated will bring quick results against extreme leftist groups seeking to undermine the government.

President Peron and his advisers are alarmed over the impact the highly publicized kidnapping incidents have had on efforts to revive Argentina's long-stagnant economy. The image of instability created by terrorism and Peron's poor health has discouraged potential investors and prompted some foreign companies to move their executives out of the country.

The current focus of the government's counter-terrorist campaign appears to be tougher laws, now under study by Congress. These laws, which would reform the penal code and add stiffer sentences for "political crimes," would give police and the courts wider legal means to combat criminal and political terrorism.

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FRANCE: French arms sales abroad in 1973 totaled some 7 billion francs (about US \$1.5 billion), according to a preliminary government estimate reported in the newspaper Le Monde. This figure, [REDACTED] would represent an increase of almost 50 percent over arms sales reported in 1972. Because of inflation, however, the actual value of the arms sold would be only about a third more.

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Most of the increase came from sales contracts signed during the latter half of 1973. Earlier, a government estimate indicated that orders placed during the first six months of 1973 amounted to only about 2 billion francs. Sales of aeronautical equipment were up sharply, and orders for ground, naval, and electronic material were all higher than in 1972.

France currently is the world's third largest arms supplier. Major customers over the past ten years have been the UK, West Germany, the US, South Africa, Israel, and Australia.

During the last three years, however, France has turned increasingly to the developing nations for lucrative sales contracts. Abu Dhabi and Zaire, for example, signed contracts to purchase Mirage III and Mirage 5 aircraft in 1973. Other important deals included the sale of antitank missiles to Middle East countries not affected by the French embargo on sales to the belligerents in the 1967 war. Paris also agreed in 1973 to sell a number of Super-Frelon helicopters to China. [REDACTED]

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TAIWAN: Foreign investors are demonstrating their confidence in Taiwan's economic prospects by sharply increasing their investments. The government approved a record \$248 million in foreign investments last year, including \$123 million in the last quarter alone. The 1973 figure, nearly twice that of the previous year, boosted cumulative foreign investments in Taiwan to over \$1 billion.

Most of the new investment will be channeled into the fast-growing, export-oriented, electronics and electrical appliances industries. US firms remain the leading foreign investors, followed by the Japanese and overseas Chinese.

Although investments this year are likely to fall short of the 1973 level, they probably will continue to be substantial.

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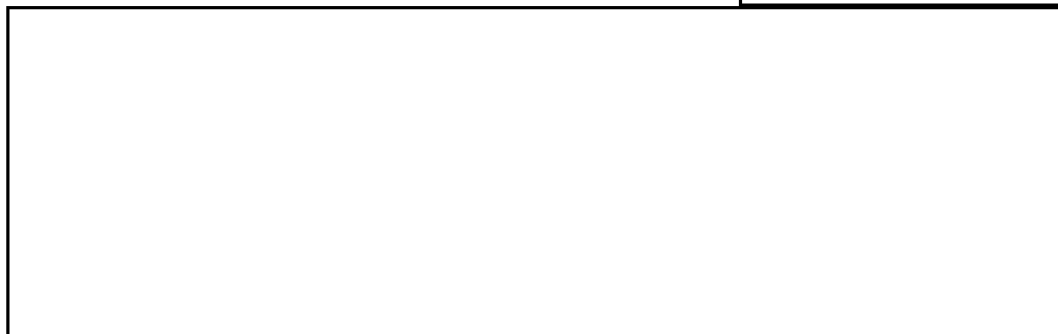


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Egypt-USSR: Two Polnocny-class landing ships (LSM) arrived in Alexandria from the USSR in early January, making a total of three LSMs delivered to Egypt since December 5, 1973. The LSM is a Polish-built, 1,000-ton, 246-foot boat capable of carrying 300 troops and sizable amounts of cargo, including eight to ten tanks. Yemen (Aden), which received two LSMs in September, is the only other Middle Eastern country to have received this ship.



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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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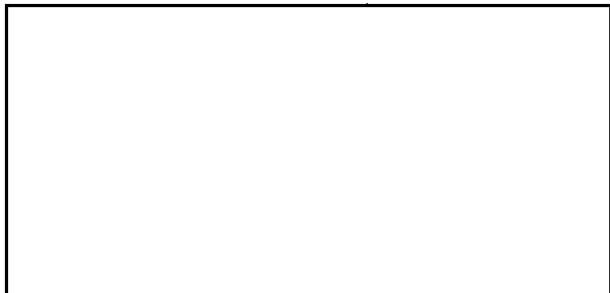
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